STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 88-309

March 28, 1989

PUBLIC UTILITIES COMMISSION
Re: Uniform System of Accounts for Telephone Utilities (Chapter 210)

ORDER ADOPTING RULE AND STATEMENT OF FACTUAL AND POLICY BASIS

GORDON, Chairman; HARRINGTON and MOSKOVITZ, Commissioners

I. PROCEDURAL HISTORY

On December 5, 1988, the Commission initiated a rulemaking proceeding, pursuant to 35-A M.R.S.A. §§ 101, 103, 104, 107, 111, 112, 501, 502, 504 and 505, proposing to amend Chapter 210 of its Rules and Regulations concerning a uniform system of accounts ("USOA") for telephone utilities.[1/] Chapter 210 was adopted as Chapter 21 by the Commission in Docket No. M.196 and amended in Docket Nos. 85-56, 85-225, and 87-146.

Chapter 210 was the subject of proposed amendments in a rulemaking proceeding, Docket No. 88-153. Comments were received in Docket No. 88-153 and the proposed changes were the subject of Commission deliberations and vote on August 15, 1988. In order to avoid amending the Rule twice within a short period of time, the Commission terminated the rulemaking proceeding in Docket No. 88-153 and incorporated changes proposed in that proceeding in this new rule.

1/ Chapter 210 was initially promulgated as Chapter 21. Subsequently, the Commission has adopted a three-digit numbering system for its Rules. Existing Rules have been coverted to three digits by adding a "0" to their prior number. Accordingly, Chapter 21 will henceforth be referred to as Chapter 210.

A hearing was held on January 12, 1989, during which oral comments were received from representatives of New England Telephone (NET) and Unity Cellular Systems, Inc. (Unicel). The deadline for written comments was automatically extended to January 23, 1989.

The following organizations submitted written comments in this rulemaking proceeding: New England Telephone, Unicel, Contel, Unity Telephone Co., Utilities, Inc., Telephone and Data Systems, Inc. (TDS), Lincolnville Telephone Co., Atlantic Cellular Telephone, Corp., and Maine Cellular Telephone Company. We discuss below the proposed amendments to Chapter 210, the comments received, and further changes made as a result of those comments, pursuant to 5 M.R.S.A. § 8052.

II. DOCKET 88-153 AMENDMENTS

The principal amendment to Chapter 210 from Docket No. 88-153 is the elimination of the requirement of an audit of the annual reports of telephone utilities, which had been added to the Rule in Docket No. 87-146. (A general waiver from this provision of the Rule was issued by the Director of Finance in Docket No. 88-32.) Concerns have arisen that this provision may be unduly burdensome because it requires the performance of functions which accountants, who traditionally conduct audits of financial information, are not well equipped to provide, such as auditing inventories of plant and property and other technical information. This rule will eliminate the requirement of an audit of the annual report, but will require submission of the audit of the books of account and a description of discrepancies with the annual report, as now required by Chapter 710. This amendment also clarifies the requirements concerning auditing, reporting, and waivers.

The Commission will give further consideration to establishing a mechanism for verifying the accuracy of technical information such as that found in the annual report regarding utility inventories of plant and property and appraising the condition of utility equipment and installations. The Commission has established a staff task force to consider this matter further with respect to all utilities.

III. PART 32 AMENDMENTS

A. Background

Currently, Chapter 210 requires telephone utilities under the jurisdiction of the Commission to maintain their books in the manner and form prescribed by either the State of Maine Uniform System of Accounts for Telephone Companies 1939 Revised, with certain clarifying provisions, or the Federal Communications Commission Uniform System of Accounts, 47 C.F.R. 31, amended through July 1, 1987 ("Part 31").

On May 1, 1986, the Federal Communications Commission ("FCC") in CC Docket No. 78-196 adopted a new uniform system of accounts entitled, Uniform System of Accounts for Telephone Companies, 47 CFR Part 32 ("Part 32").

The FCC felt that Part 31, which was adopted in 1935, was archaic and incapable of accommodating changes in a complex and competitive environment.

Part 32, which became effective for interstate purposes on January 1, 1988, establishes two classes of carriers - Class A companies with annual revenues of $100 million or more, and Class B companies with annual revenues of less than $100 million. The principal difference between the accounting conventions for Class A and Class B is the level of detail prescribed, and the number of accounts to be used.

The FCC, in CC Docket No. 84-469, adopted in Part 32 policies necessary to reflect generally accepted accounting principles ("GAAP"). The adoption of generally accepted accounting principles may bring with it significant revenue requirement changes, at least for the short term. Full use of GAAP could also be inconsistent with certain regulatory principles. Issues relating to GAAP are discussed in greater detail later in this Order.

B. Adoption of Modified Part 32

The Commission's objective is to adopt a USOA which provides consistent and reliable accounting information and which is designed to meet the various needs of those who rely on it. The rule essentially adopts the FCC's Part 32 with modifications added to meet our regulatory needs and responsibilities.2/ We have adopted as much of the basic structure and conventions contained in Part 32 as possible to reduce the burdens of separate accounting systems. In general, we do not wish to consider changes in ratemaking policies in the context of a rulemaking proceeding on the uniform system of accounts. Consequently, we have imposed specific reporting requirements in order to monitor the potential impact of Part 32 accounting changes on the utilities' revenue requirements.

Because the new Part 32 embodies a radical change in both structure and principle, it is incompatible with the old Part 31 and with the current Maine USOA. In evaluating the changes made to the FCC chart of accounts, it became quite obvious that the Maine USOA suffers from many of the deficiencies

2/ The FCC explicitly recognized the potential for state regulators to set their own accounting/ratemaking policies, and included separate accounts in its system to isolate state and federal differences.

of Part 31 which the FCC sought to correct. Circumstances have dramatically changed and the Maine USOA has not been modified to keep pace with changes in the industry. The task of modifying the Maine USOA, as well as the Maine Annual Report Form, would require considerable time and effort. Rather than expend time and effort on that project, we have decided to select the FCC's USOA as the basic accounting system for all of Maine's telephone utilities. After careful examination of Part 32, we have concluded that any revision to the Maine USOA would most likely follow much of the form and substance of Part 32. However, there are certain areas which need enhancement or modification. Thus, while Part 32 becomes our basic accounting system, we have added certain modifications in order to meet our regulatory needs and objectives. Those modifications are spelled out in Section 8 and will be discussed in additional detail below.

C. Implementation Rules

We have chosen to adopt the modified Part 32 as our accounting system because it embodies up-to-date methodologies and procedures, yet contains the flexibility to adapt to changing conditions in the telecommunications industry and in accounting practice and theory. Any telephone utility which has intrastate revenues of over $10 million dollars must follow the Part 32 Class A USOA. All other telephone utilities will be permitted to use the Class B USOA, except that Class B utilities must follow the Class A system for their plant accounts and corresponding depreciation accounts. These accounting requirements are necessary to insure that complete and accurate data is available for reporting and ratemaking purposes. The Class B chart of accounts is generally sufficient for most of Maine's smaller telephone utilities except that plant assets require greater detail than that provided in the Class B system. All Class B utilities are encouraged to use the Class A system. Utilities are reminded that it is their responsibility to maintain accounting records which are sufficient to allow the Commission to assess the utility's financial results and condition.

The main reason for adopting a modified Part 32 for all Maine utilities is the need for consistency and uniformity in the recording and reporting of results. The current practice of using either the Maine USOA or the FCC Part 31 can result in disparity when comparisons made between different utilities.

We do recognize the potential burden upon some utilities of modifying existing accounting systems and procedures, especially for those utilities who had not planned on switching to Part 32. In recognition of this possible problem, those utilities which are allowed to use the Class B chart of accounts, and do not participate in a cost of service settlement pool for either the interstate or intrastate jurisdiction, will not be required to make that change until January 1, 1990. Adoption before that date is certainly encouraged. Any utility which must use the Class A system has already adopted Part 32 for interstate purposes on January 1, 1988, so no additional burden is placed on them. Utilities are also reminded that the waiver provisions contained in Chapter 210 remain unchanged and available upon a showing of good cause.

D. Initial Notice

Section 8 prescribes the Initial Notice of Intent (Initial Notice) which all utilities are required to submit when they adopt Part 32. The Initial Notice contains certain information which describes each utility's compliance with the provisions of the new system. Besides specifying the date of adoption and class of utility, the Initial Notice will contain a description of all accounting methods selected where GAAP (and Part 32) permits a choice. A utility may not change any of these selected methods in the future without prior Commission approval. In addition, the Initial Notice will describe any specific Commission ratemaking policies which might be difficult to keep track of using Part 32. The utilities must state how they will insure compliance with the existing policies. The rule also requires that each utility devise a system for tracking all transactions with affiliated interests. The Initial Notice must describe the details of that system. Although Part 32 requires no specific methodology for recording affiliated transactions, utilities must keep this information properly and readily available. The Commission will require any utility whose method of accounting for affiliated interests is determined to be inadequate to modify its system to meet the letter and spirit of this requirement.

Also required in the Initial Notice is an estimate of the implementation costs incurred in switching to the new system. This should include the costs for both capitalized and expensed items spent prior to, at and/or after the date of implementation. Any on-going marginal costs (i.e., those which would not be incurred had the prior system remained in place) or savings should also be stated. Companies should also include an estimate of the apportionment of these costs between the state and federal jurisdictions. This last requirement does not apply to those utilities who are average schedule-type utilities. The expenses associated with conversion should be clearly described, as should any method of estimation or allocation used in their calculation.

previous accounting system (i.e., Part 31 or Maine USOA). This requirement may be done by a statistically valid estimation process and therefore does not require the maintenance of a dual set of accounts. This requirement is necessary to accurately assess the revenue impacts associated with implementing Part 32.

Utilities following the Class B system only need to provide two years of comparable data, the year immediately preceeding the adoption of Part 32 and the year of adoption. As with the Class A utilities, a report must be submitted to the Commission showing a utility's results under both its prior accounting system (Part 31 or Maine USOA) and under Part 32. Class B utilities may use their best estimates. This requirement does not require a dual set of accounts nor special studies.

G. Adoption of GAAP

A potential problem associated with the FCC's version of Part 32 is that several of the GAAP tenets adopted by the FCC could make it difficult to keep track of ratemaking principles which have been in place in Maine for several years and which should remain. Section L below outlines the GAAP issues which differ significantly from ratemaking policy. The most important of these are pension expense, interest during construction, comprehensive interperiod tax allocation, and post retirement benefits. Section 8 of the Rule prescribes the use of jurisdictional accounts where a substantial policy difference exists. Part 32 has special accounts available in which to record jurisdictional differences, and these shall be used where necessary.

The FCC will adopt future GAAP pronouncements automatically with 90 days notice by the utility. The Maine Commission is not allowed to incorporate future changes made by the FCC by reference. Consequently, section 8.B. of the rule provides a procedure to allow changes in the USOA to occur without the need to go through a new rulemaking.

H. Record Retention

This Commission has not previously established a written policy concerning retention requirements for books and records. Currently, utilities are expected to employ reasonable retention practices, but have flexibility and discretion in this respect. The rule includes a general statement to provide guidance and a specific requirement concerning basic property records.

I. Depreciation Account

Utilities shall continue to adhere to Commission-prescribed depreciation methodologies and must maintain accounting detail sufficient to identify accumulated depreciation by type of asset. Part 32 requires that Accumulated Depreciation sub-accounts be maintained for each class of plant in service for which a distinct depreciation rate is established. We are requiring this level of detail for all utilities in Maine, even if they otherwise have the option to use Class B accounts, because we believe plant accounts require additional scrutiny by regulators and the public.

In order to more properly set depreciation rates, utilities may establish a depreciation rate for leasehold improvements prior to the normal represcription date.

J. Annual Report Form

Utilities which maintain their books and records under the FCC Class A chart of accounts shall be required to file an annual report in the FCC's Form M format, with some additional schedules that show Maine-specific information (no change from current procedure). Utilities which may and do follow the Class B USOA shall be required to file the Maine Annual Report, unless they seek and receive a waiver which would allow them to file the FCC Form M with Maine-specific schedules as their annual report.

K. Cellular USOA

It has come to our attention that the present Chapter 210 USOA prescription for cellular providers may require modification. Chapter 210(1)(c) orders the cellular providers to keep their books of account according to the USOA for Radio Common Carriers, July 1987, as promulgated by NARUC. We chose that system because it was understood to be the most current, and because the preface to the USOA stated that it was applicable to cellular operations. Apparently, some cellular providers have been keeping their books according to the NARUC 1985 USOA for Cellular Communications Licensees and were unaware of (or ignored) the requirement of Chapter 210. Through the filed comments we now believe that the more appropriate chart of accounts is the NARUC 1985 USOA for Cellular Communication Licensees. The Director of Finance issued an accounting waiver on December 22, 1988, to allow cellular operators to follow either of the two systems mentioned above. The waiver mandated that whichever system was chosen could not be changed without Commission approval or requirements of subsequent amendments to Chapter 210.

Although these companies are not presently subject to rate base regulation, we believe a single accounting system should be adopted in order to facilitate comparability of reporting by these companies. However, we will grant a generic waiver for those cellular utilities which implemented the 1987 RCC accounting system. Notification that a utility is using this system must accompany the cellular provider's first annual report to the Commission.

L. Discussion of Major Part 32 Changes from Part 31

Certain indirect construction costs currently capitalized are to be expensed under Part 32. Such indirect costs include general office overheads, labor-related additives (social security, pensions, benefits, etc.), property taxes, loss of materials and supplies at construction sites, corporate administrative costs, and other minor costs that are currently allocated to construction. Certain non-corporate engineering costs related to training, meetings, budget analysis and administrative functions will also be fully expensed. The transition reporting requirements are designed to reveal the magnitude of this accounting change.

The Part 32 treatment of compensated absences and the related 10 year amortization of the embedded liability is another potentially significant accounting change, disclosure of which is required in the Initial Notice. For example, New England Telephone commented that the embedded amount will be approximately $500,000 per year. The Commission Staff was made aware in Contel's comments that it had already implemented such an accounting change. The Staff will explore this accounting treatment with Contel outside the context of this rulemaking.

For intrastate purposes the Commission is adopting a modified version of the Part 32 interest during construction (IDC) methodology. Utilities may adopt the FCC policy of accounting for short-term and long-term construction projects, but the Commission shall require that IDC be accrued on all amounts in telephone plant under construction accounts (both short-term and long-term) for ratemaking purposes.

Class A utilities may charge the costs of short-term projects estimated to cost less than $100,000 directly to Plant Accounts, although they may select a lower limit. Class B utilities may charge the costs of short-term projects estimated to cost less than $25,000 directly to plant accounts.

The Commission may continue to adhere to certain prior ratemaking policies or may adopt future policies which differ from the FCC USOA. Utilities shall maintain jurisdictional accounts to account for such differences.

The following are the major ratemaking policies which differ from the Part 32 accounting:

- Early extinguishment of debt. The utility shall account for the amortization of the gains and losses from the early extinguishment of debt over the life of the new issue, the remainder of the life of the original issue, or write them off immediately when amounts are insignificant. A request for waiver of Chapter 210 will be required if the early extinguishment of debt is to be recognized in the year of occurrence and the amounts are significant.

- Embedded capital leases should be booked at the effective date of implementation for intrastate purposes of the USOA (January 1, 1988 for Class A utilities) at the present value of the minimum lease payments at the lease inception date.3/ Embedded capital leases as of the implementation date shall not require further approval.

- Comprehensive interperiod tax allocation. The flow-through method of treatment of tax timing differences is to continue as Commission policy unless specifically prohibited by provisions of the Internal Revenue Code. The Commission takes no position concerning the adoption of SFAS No. 96. Such a change shall be treated as a future change in GAAP and shall require Commission approval.

- Pension cost shall continue to be accounted for on a funded (cash) basis rather than the accounting as determined under FASB Statement 87 Employer's Accounting for Pensions.

3/ 35-A M.R.S.A. §§ 901 and 911 require Commission approval of capital leases entered into by utilities organized and existing or incorporated in the State of Maine for a term of more than 3 years, for property valued at the greater of $50,000 or 1% of the public utility's total long-term debt.

- Any change in post retirement benefits shall await a definitive statement from the FASB, which recently issued an exposure draft on the subject. Since few employers fund post retirement benefits and no accrual accounting precedent exists, this change shall be treated as a change in accounting method and shall be taken up at a future date.

M. Discussion of Representative Comments

The Commission has significantly scaled back the accounting and reporting requirements in the proposed rule. We believe that these modifications address the concerns of the smaller utilities such as Unity, Lincolnville, TDS, and Utilities, Inc. The Rule now considers them Class B utilities with comparatively reduced reporting requirements. The larger utilities such as NET and Contel and several small utilities expressed concern about the sub-account requirements for capital to expense shifts. This requirement has been eliminated.

In response to comments from NET and Contel, we have reduced the number of years of comparative reporting for large utilities and have adopted NET's suggestion of the use of special studies. For small utilities we have emphasized the 'best estimate' expectation and affirm that in the case of small utilities it is not necessary to perform special studies or engage outside consultants.

Many utilities commented on the Commission's adoption of various Part 32 GAAP changes that were outlined in Appendix A of the proposed Rule. The regulatory principles which the Commission applies do not always conform to GAAP. This difference has long been understood. In order that utilities do not implement conflicting accounting methods, specific accounting methods and principles are required by this Rule in Section 8.

TDS and Lincolnville commented that three months may not be adequate time to comply with the filing of the Initial Notice of Intent. In response, we have lengthened the time to four months. Lincolnville and Utilities, Inc. expressed concern of being unaware of GAAP changes, and thus the Rule has been modified to require notice to the Commission 90 days prior to adoption of any GAAP changes or the filing of the annual report, whichever is sooner. A utility can request implementation of GAAP changes in less than 90 days.

All the cellular providers commented on the confidentiality of the annual report information. Annual reports filed with the Commission are considered public records that are available for public inspection, unless "designated confidential by statute" or "within the scope of a privilege against discovery or use as evidence recognized by the courts of this State in civil or criminal trials if the records or inspection thereof were sought in the course of a court proceeding." 1 M.R.S.A. § 402(3)(A) and (B) and § 408. The Commission is not aware of any financial information that is required in an annual report being designated confidential by statute. Nevertheless, if any utility believes that any information provided in its annual report has been so designated or is privileged, it may request a protective order from the Commission pursuant to M.R. Civ. P. 26(c).

It is envisioned that the annual report form for these utilities shall be significantly abbreviated.

IV. CONCLUSION

As discussed in Part III above, the implementation of these amendments to Chapter 210 may have a significant fiscal impact, both in terms of implementing the accounting changes and the effect of some accounting changes on the utility's revenue requirement. We still do not have sufficient information to estimate the actual fiscal impact of these amendments. Furthermore, we have attempted to mitigate the fiscal impact by allowing some utilities to delay the implementation of Part 32 by two years and by our inclusion of the waiver provision, which requires a showing of good cause.

Accordingly, it is

ORDERED

1. That the attached amended Chapter 210, Uniform System of Accounts - Telephone Utilities, is hereby approved and adopted to be effective five (5) days after acceptance of filing by the Secretary of State pursuant to 35-A M.R.S.A. § 8056(1)(B).

2. Leases entered into prior to the implementation date that would now require Commission approval pursuant to 35-A M.R.S.A. § 911 are hereby approved.

3. That the Administrative Director of the Public Utilities Commission shall mail a copy of the Order and the attached Rule to all persons listed on the Service List in this proceeding as noted in Ordering Paragraphs 1, 2 and 3 of the Order Commencing Rulemaking.

4. That the Administrative Director shall send a written Notice of Adoption of Rule to the Secretary of State, on the forms provided by the Department of State for that purpose, for publication pursuant to the procedures set forth in 5 M.R.S.A. § 8053(5).

Dated at Augusta, Maine, this 28th day of March, 1989.

BY ORDER OF THE COMMISSION

Charles A. Jacobs
Charles A. Jacobs
Administrative Director

A true copy.
Attest: Charles A. Jacobs
Charles A. Jacobs
Administrative Director

COMMISSIONERS VOTING FOR: Gordon
Harrington
Moskovitz

"This document has been designated for publication"

65 - INDEPENDENT AGENCIES - REGULATORY

407 - PUBLIC UTILITIES COMMISSION

CHAPTER 210 - UNIFORM SYSTEM OF ACCOUNTS-TELEPHONE UTILITIES

SUMMARY This rule establishes a uniform system of accounting for all telephone utilities.

1. Accounting Systems

A. Except as provided in B, C and D, below, and in sections 4, 5 and 6, every telephone utility as defined in 35-A M.R.S.A. § 102 shall maintain its books of account according to the manner and form prescribed by the Federal Communications Commission (FCC) Part 32 Uniform System of Accounts for Telecommunications Companies (USOA) 47 C.F.R. 32, adopted May 1, 1986; provided that each telephone utility shall adhere to the system of accounts specified for Class A companies as modified by the accounting conventions and procedures contained in Section 8 of this Rule; and each telephone utility shall comply with all of the other applicable requirements of section 8, unless waived pursuant to section 6.

B. Any telephone utility which has total intrastate revenues under $10 million dollars may, at its option, maintain its books of accounts according to the FCC Part 32 USOA for Class B companies; provided that each such utility shall maintain its Telecommunications Plant In Service detail accounts and corresponding accumulated depreciation subsidiary records according to the Class A system.

C. Every Radio Common Carrier, as defined in Chapter 24 of the Commission's Rules and Regulations, shall maintain its books of account in the manner prescribed in the Uniform System of Accounts for Radio Common Carriers, July 1987, as promulgated by the National Association of Regulatory Utility Commissioners.

D. Every Cellular Service provider, as defined in Chapter 24 of the Commission's Rules and Regulations, shall maintain its books of account in the manner prescribed in the Uniform System of Accounts for Cellular Communications Licensees, July 1985, as promulgated by the National Association of Regulatory Utility Commissioners. All cellular providers who have implemented the 1987 RCC USOA prior to the effective date of this revision may continue to use the July 1987 RCC USOA as promulgated by NARUC.

E. Every telephone utility which uses a cost of service methodology for either interstate or intrastate toll revenue settlements must use the accounting system prescribed in paragraphs A and B effective January 1, 1988.

Any telephone utility which does not use a cost of service methodology for either interstate or intrastate toll revenue settlements must use the accounting system prescribed in paragraphs A and B on or before January 1, 1990.

2. Accounts closed

All accounts shall be closed annually on the 31st day of December unless otherwise specifically authorized by the Commission.

3. Reporting

A. Filing of Annual Report.

Within 90 days of the closing of the annual accounts, each telephone utility shall file a report verified by an officer or owner of the utility, containing such information as the Commission may prescribe, provided, however, that to the extent such information includes investments in or income or loss from unregulated activities, such information relating to unregulated activities shall be contained in a separate report which shall satisfy all of the other requirements of this rule.

B. Filing of Audit Report.

All accounts shall be audited in accordance with Chapter 710 of the Rules of the Maine Public Utilities Commission (65-407 C.M.R. 710). A copy of the auditor's report, accompanied by the audited financial statements, shall be filed with the Commission not later than the first day of the fourth month following the 12-month period for which the audit was conducted, except that audit reports based on a fiscal year ending December 31 must be filed by the following

July 1. The utility shall file with the audited financial statements a cover sheet describing any discrepancies between the audited financial statements and the annual report or reports filed by the utility under section 3(A).

4. Exemption for Utilities Operating a Radio Paging Service

Any public utility which operates a radio paging service shall maintain a separate set of books of accounts or establish a separate subsidiary for its paging operations, unless exempted by the Commission pursuant to 35-A M.R.S.A. § 8501 for good cause shown. If a separate set of books is used, the requirements contained in Part 32 shall apply.

5. COCOT Exemption

Any public utility which is a utility, as defined in 35-A M.R.S.A. § 102(13), only because of its operation of a Customer Owned Coin Operated Telephone (COCOT) as defined in Chapter 25(1)(A) of the Commission's Rules (65-407 C.F.R. Ch. 25) shall be exempt from the accounting requirements of this Rule as set forth in section 1.A.

6. Waivers

For good cause shown, the Commission may waive any of the requirements of this Rule, provided such waiver does not unduly undermine the purposes of this Rule and is permitted by statute. The Commission may also subsequently rescind, alter, or amend any such waiver for good cause. The Commission delegates to the Director of Finanace the authority to issue, rescind, alter, or amend a waiver with respect to any of the requirements of this Rule. This delegation in no way limits the Commission's authority to review the decision of the Director of Finance or to issue, rescind, alter, or amend a waiver directly.

7. Confidential Information

A. Any other provision of this Chapter notwithstanding, any separate report containing information on unregulated activities which is filed as a separate report pursuant to the provison clause in Section 3(A) shall be considered and treated by the Commission and by all other persons to whom access thereto may be accorded pursuant to the terms of this section as confidential ("Confidential Information").

B. The Commission shall physically segregate all such Confidential Information in its possession and shall keep the same in separate locked facilities.

C. Access to Confidential Information shall be limited to the Commission's members, employees and agents (including, without limitation, its consultants, experts and counsel). No other person shall be granted access except by order of the Commission or by order of a Hearing Examiner in a proceeding before the Commission.

D. Only such copies of Confidential Information as are necessary to the efficient functioning of the Commission shall be made and all such copies shall themselves be deemed and treated as Confidential Information.

E. In the event that the Commission receives a request from any person other than those specified in Paragraph C under the Freedom of Access Law (1 M.R.S.A. §§ 401 et seq.) or otherwise to inspect or copy such Confidential Information, it shall promptly notify the affected telephone utility of the request. It shall also provide prompt notification to the affected utility of any judicial action filed against the Commission for disclosure.

F. In deciding whether to issue an order permitting access to Confidential Information, the Commission or Hearing Examiner shall take into account the utility's need for confidentiality and the person's need for the information. If access is granted, appropriate provisions shall be made for the protection of confidential information from unwarranted public disclosure.

G. A notice in the following form shall be posted at the locked facilities in which confidential information is located:

NOTICE

The information in this file is designated confidential by Chapter 210 of the Rules of the Maine Public Utilities Commission. Disclosure of any such Confidential Information to any person other than Commission members, employees, or agents is prohibited, unless permitted by order of the Commission or a Hearing Examiner.

8. Part 32 Implementation Requirements

This Section establishes the accounting and implementation requirements.

A. Initial Notice of Intent -

No later than 4 months after the effective date of this rule, all telephone utilities shall file an Initial Notice of Intent (Initial Notice) with the Commission concerning the implementation of the Part 32 USOA. The change in USOA shall automatically take effect according to the information contained in the Initial Notice. The Initial Notice shall contain a statement concerning the following information and practices:

(1) The effective date of implementation of Part 32 for intrastate purposes (see section 1.E.) and the class of company (see sections 1.A. and 1.B.).

(2) The accounting methods adhered to when GAAP or Part 32 requires or allows an option. Where GAAP permits more than one accounting method, the telephone utility shall include a statement as to which method it shall adhere to. For intrastate purposes, a telephone utility must petition for any change from the methods set forth in the Initial Notice.

(3) A representation of the utility's continued adherence to prior Commission ratemaking policies, including a statement that no accounting and ratemaking requirements instituted by the Commission, of which the utility is aware, will be negated by the adoption of Part 32 and that separate accounts shall be established to account for any difference. A list of those policies which would otherwise be overridden by the adoption of Part 32 and the account number in which jurisdictional differences shall be recorded. A statement listing the amount of any embedded liability which results from adopting Part 32.

(4) A description of the procedures for recording affiliate transactions, and transactions between the utility and its affiliated interests, as defined by 35-A M.R.S.A. §707.

(5) An estimate of the costs associated with implementing Part 32.

Future changes to any of the provisions set out in the Initial Notice require prior written notice to and approval by the Commission or the Director of Finance.

B. Adoption of GAAP -

Any utility desiring to implement an accounting change to reflect a GAAP pronouncement for intrastate purposes shall notify the Director of Finance 90 days prior to the proposed date of implementation or the filing of its annual report, whichever is sooner. Such notice shall contain an estimate of the effect on revenue requirements. If the Director of Finance does not respond within 81 days of the filing of the Notice, the utility may implement the change until subsequently required to do otherwise by rule or order.

C. Retention of Records -
Books and records shall be retained on an intrastate basis for as long as they may be material in establishing the utility's revenue requirement. The utility shall adopt a reasonable retention policy, which shall be at least 7 years. Property records shall be available for at least three (3) years after the physical retirement of the property.

D. Auditor's Attestation Function -
With the utility's first auditor's report, in accordance with Chapter 710, following adoption of Part 32, each Company's Independent Auditor shall attest to the accuracy of the opening journal entries, and that prior balances have been transferred in conformity with Part 32 requirements.

E. Comparative Reporting -

1. No later than 4 months after the effective date of this rule, each telephone utility following the Class A USOA shall provide a report to the Commission which restates 1987 financial data according to the new Part 32 USOA, using best estimates, if necessary. Each utility following the Class A system of accounts shall include with its annual report for fiscal years 1988 and 1989 its balance sheet and income statement for those years based on its previous chart of accounts.

Only items of a material nature need be considered, and each utility may use its best estimate or use a special study to complete the required comparison.

2. Each utility adhering to the Class B system of accounts shall provide the above-specified comparative financial information for the first fiscal year in which it adopts the new Part 32 Class B USOA and for the fiscal year immediately preceding the year of adoption. As in Section E.1, best estimates may be utilized.

F. Accounting methods and practices required in place of certain provisions of Part 32.

The following accounting methods and practices are required for intrastate accounting and the necessary jurisdictional accounts shall be established in order to properly account for such differences:

1. The flow-through method of treatment of tax timing differences shall be used unless specifically prohibited by provisions of the Internal Revenue Code.

2. Class A utilities may charge the costs of short-term projects estimated to cost less than $100,000, or such lesser amount as a utilty may select, directly to plant accounts. Class B utilities may charge the costs of short-term projects estimated to cost less than $25,000, or such lesser amount as a utility may select, directly to plant accounts. Interest during construction shall be accrued on all amounts of telephone plant under construction, both short-term and long-term.

3. Pension cost shall be accounted for on a funded (cash) basis.

4. Postretirement benefits shall be accounted for on a funded (cash) basis.

BASIS STATEMENT: The factual and policy basis for this rule is set forth in the Commission's Order Adopting Rule and Statement of Factual and Policy Basis, Docket

No. 88-309, issued March 28, 1989. Copies of the Order and Statement have been filed with this rule at the Office of the Secretary of State. Copies may also be obtained from the Administrative Director, Public Utilities Commission, 242 State Street, State House Station #18, Augusta, Maine 04333-0018.

AUTHORITY: 35-A M.R.S.A. §§ 101, 103, 104, 107, 111, 112, 501, 502, 504 and 505.

This rule was approved by the Secretary of State on MAR 3 0 1989 and will be effective on APR 0 4 1989 .